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Donal O'Brien
Technological University Dublin, donal.obrien@tudublin.ie

Pamela Sharkey Scott
Technological University Dublin, pamela.sharkeyscott@tudublin.ie

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Donal O'Brien
Dublin Institute of Technology, donal.obrien@dit.ie

Pamela Sharkey Scott
Dublin Institute of Technology, pamela.sharkeyscott@dit.ie

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Author:
Donal O'Brien (donalobrien63@gmail.com)
Dublin Institute of Technology
Aungier St
Dublin 2
Ireland

Co-Author:
Dr. Pamela Sharkey Scott (pamela.sharkeyscott@dit.ie)
Dublin Institute of Technology
Aungier St
Dublin 2
Ireland

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Summary

As multinational corporations (MNC) strive for long term competitiveness in complex business environments the Strategic Development Process has emerged as a potential source of competitive advantage (Grant, 2003). Despite this recognition there is limited knowledge of the strategy development process and the contributors to strategy development at the subsidiary level of the MNC.

The essence of strategy development is contributing to competitive advantage through management activities (Papadakis et al, 1998), but much of the focus of research up to this point has been on the strategic relationship between subsidiary top management and corporate headquarters with little attention being paid to the internal processes of the multinational subsidiary (Bouquet and Birkinshaw, 2008). This paper contributes to theory development by investigating the role of the subsidiary middle manager in the strategic development processes of the Multinational subsidiary.

ABSTRACT

The Role of the Middle Manager in the Strategy Development Process of the Multinational Subsidiary

The role of the subsidiary in the multinational corporation (MNC) has become an area of interest to international business researchers, and a matter of importance to MNC executives (Birkinshaw et al, 2005). In today's turbulent business environments where organisations must find new ways to renew fast obsolescing firm specific advantages (Buckley and Casson, 1998), innovative strategies developed at the subsidiary level are opening the door to new possibilities. Although the essence of strategy is contributing to competitive advantage through management activities (Papadakis et al, 1998), much of the focus of research up to this point has been on the strategic relationship between subsidiary top management and corporate headquarters (Bouquet and Birkinshaw, 2008). The contribution to strategy development by the middle management levels within subsidiaries has been largely overlooked (Balogun, 2003). Based on this empirical study the paper contributes to theory development by investigating the role of the middle manager in the strategic development processes of Multinational subsidiaries.

Introduction

As multinational corporations (MNC) strive for long term competitiveness in complex business environments, they are increasingly focusing on routines and processes as potential sources of firm specific advantages. One of the key organisational routines which has emerged from this focus of attention is the Strategic Development Process (Grant, 2003). Despite this recognition at MNC level, there is limited knowledge of the strategy development process at the subsidiary level.

There is a growing recognition that subsidiary units are not merely the subordinate elements of the parent company that they once were (Taggart, 1998). The modern multinational subsidiary is conceptualised as a semi autonomous entity with its own unique set of resources and capabilities, with the ability to contribute knowledge and innovation to the entire organisation (Birkinshaw, 1997; Birkinshaw and Hood, 1998; Delany, 2000; Rugman and Verbeke, 2003)). But despite the strategic potential of the multinational subsidiary, there is a lack of understanding of the strategy development processes and the contributors to strategy development at the subsidiary level. As research moves towards analysing the strategic potential of the subsidiary, there is evidence to suggest that it is often the subsidiary middle managers who have their hands on the pulse of the organisation, and may play a vital role in the strategy development processes at subsidiary level.

The middle manager has come in for much criticism over the years and many believed that after the downsizing and re-engineering in the 1980's and 1990's the role of the middle manager would continue to diminish (Cameron, Freeman and Mishra, 1991; Cascio, 1993; Scarborough and Burrell, 1996). However, middle managers still exist, and furthermore an alternative point of view is developing which suggests that these managers may be a strategic asset (Floyd and Wooldridge, 1992, 1994, 1997). While a considerable amount of theory and research exist, which highlights the potential of middle managers to contribute to strategy (Bower, 1970; Burgelman, 1983a, b, c; Kanter, 1983; Birkinshaw, 1995); there is little research examining what middle managers can contribute to strategy and what can help them fulfil this role (Balogun, 2003). This is particularly true in multinational subsidiaries where up until recently the only input to strategy development by management was through the implementation of the parent companies strategy. As theory has moved to indicate a crucial new role for subsidiary management as contributors to strategy rather than implementers (White and Poynter, 1984; Birkinshaw, 1997; Rugman and Verbeke; 2001), it is important to identify the new strategic roles of the subsidiary middle manager.

Literature Review

In the current competitive landscape it has become progressively more difficult for organisations to develop a sustainable competitive advantage (Barney, 1991). The role of strategy development has become ever more important as firms look to differentiate themselves in increasingly crowded marketplaces. The importance of this process is outlined by Porter (2005, pp.14) who defines strategy development "as the process which makes a company unique, gives them a distinct competitive advantage, provides direction, builds brand reputation, sets the right goals, adds superior performance, defines market position and creates a unique value proposition". Although the importance of strategy is acknowledged there is little consensus as to how this process takes place (Rudd et al, 2008). This is especially true in modern business environments, where the increased complexity means that management has to account for a huge number of variables regarding the competitive environment when formulating strategy. There is an emphasis on management to be highly flexible due to the environmental dynamics and the resulting ability to forecast (Hart and Banbury, 1994). Despite this evidence the strategy development process is often described as a rational, analytical, systematic and deliberate process of planning and intent. However, the processes by which strategies are developed can be explained in other ways. Strategies have been shown to develop as the outcome of the social, political and cultural processes of organisations as well as through external constraints and pressures. As a result of this, there are a variety of explanations and theories on the nature of strategy development processes (Bailey et al 2000).

The traditional dichotomy in the literature between advocates of the planning school and those of the rational school has resulted in contradictory perspectives and recommendations, particularly from a practitioner perspective. Concerns over the value of the alternative positions have led to calls for a more integrated approach to strategy development (Brews and Hunt, 1999; Hart and Banbury, 1994) and for efforts to be channelled towards understanding the actual processes adopted by management in organisations when developing strategy (Menon et al, 1999). This paper is an attempt to meet this need by identifying the strategy development processes in Multinational subsidiaries, with a particular focus on the role of the subsidiary middle manager.

Subsidiary Strategy Development

Much of the early literature on subsidiaries sidestepped completely the issue of strategy (Birkinshaw and Morrison 1995). The unit of analysis was the firm, with the role of subsidiaries in strategy development largely overlooked. The seminal works of Burns and Stalker (1961) and Lawrence and Lorsch (1967) took a firm level approach and focused on contingency approaches to organisations working in uncertain environments. It was suggested that these organisations would tend to adopt more formal methods of control and integration compared to firms in more stable environments (Taggart 1998). The perception was that the risk increased for MNCs, and the environment became more unstable, as their network of subsidiaries expanded. As a result subsidiary research focused on facets of the parent subsidiary relationship such as centralisation, formalisation, coordination and control (Brandt and Hulbert 1997; Cray 1984; Hedlund 1986; Picard 1980). More recently it is the subsidiary itself which has become the unit of analysis for researchers. The work of Hedlund (1986) on the "Heterarchy" and Bartlett and Ghoshal (1989) on the "Transnational" enabled a more holistic understanding of the subsidiary. This led to new conceptualisations of the multinational subsidiary as a semi autonomous entity existing in a competitive arena, consisting of an internal environment of other subsidiaries, internal customers and suppliers, and an external environment comprising of customers, suppliers and competitors (Birkinshaw et al, 2005).

This new perspective on subsidiary strategy development envisions a far greater element of strategic choice on the part of subsidiary management (Birkinshaw, 1997). The subsidiary's strategy is constrained, rather than defined by the structural context that surrounds its strategic activities. Subsidiary managers have considerable latitude within the imposed constraints to shape the strategy as they see fit. Delany (2000) suggests that rather than accepting a mandated role, subsidiaries are being encouraged to be proactive in developing their activities and seeking out ways in which they can add value to the parent's overall business. From a strategy development perspective there is clearly an interesting trade off between control and autonomy in the parent subsidiary relationship which reflects the opposing perspectives of parent company and subsidiary managers. Management in corporate headquarters are looking to control subsidiary behaviour and performance (Chung et al, 2006), while management of subsidiaries are attempting to gain the necessary levels of headquarters attention to deliver on their potential and contribute to the MNC's long term success (Bouquet and Birkinshaw, 2008). This is the real dilemma facing MNCs in the strategy development process.

The Strategic Role of Middle Managers

A significant amount of theory and research exist which outlines the potential of middle managers to contribute to strategy (Bower, 1970; Burgelman, 1983a, b, c; Kanter, 1983; Birkinshaw, 1995). Bower (1970) initially drew attention to the importance of middle managers as agents of change in contemporary organisations, while Quinn (1985) recognised their valuable contributions and important roles in the innovation process in an established company. Noting senior managers isolation from actual day to day activities, Quinn (1985) highlighted the crucial importance of the roles middle managers can play in fostering communication about the company's mission, goals and priorities. Middle managers interact with diverse employees, which would allow them to use formal and informal approaches to encourage innovation and calculated risk taking. Middle managers also communicate their ideas for innovations to upper management, thereby creating an opportunity where these ideas are evaluated and considered within the context of the firm's strategic priorities (Burgelman, 1983a).

The potential for middle management to contribute to strategy was recognised by Dutton and Ashford (1993) when they described how middle managers influence strategy through the selling of strategic issues to top management. Middle managers also have an integrating role in aligning the core competencies of the organisation (Sayles, 1993). Bartlett and Ghoshal (1993) note that typically the MNC has two ongoing parallel management processes which middle management are actively involved in; integrating activities and identifying entrepreneurial opportunities. The findings of Bartlett and Ghoshal (1993) are collaborated by Birkinshaw (1995) and Noble and Birkinshaw (1998) who suggested that the responsibility for identifying entrepreneurial opportunities lay with middle management.

Historically middle level managers have not been considered part of the strategy development process except in providing informational inputs and directing implementation (Floyd and Wooldridge, 1997). However, contemporary theory and descriptions suggest that middle managers attempt to influence the strategy development process (Hornsby et al, 2002), and that given their contribution in other areas of the organisation, their potential role in this process should not be overlooked.

Middle Management Involvement in Strategy Development

From the limited literature on middle management involvement in the strategy development process it was proposed that Floyd and Wooldridge's (1992) typology of middle manager involvement in strategy was the most appropriate model to apply and adapt for this study. Floyd and Wooldridge's (1992) classification is based on the premise that strategy is developed out of the continuous, interactive learning process involving managers throughout the organisation (Bower, 1982; Mintzberg, 1990). The four roles within the typology take into account the unique position of middle managers within the organisation. The description of the 'linking' pin by Likert (1961) is used to define this unique position. Here, a superior in one group is a subordinate in the next, and so on throughout the organisation. This is particularly relevant to MNCs where there may be numerous levels of management throughout the organisation. As participants in multiple, vertically related groups, middle managers coordinate top and operating level activities, and they are involved in processes that have both upward and downward influences on strategy formulation.

Upward influence affects top management's view of organisational circumstances and the possible future strategies of the organisation (Bower, 1970; Burgelman, 1983a; Nonaka, 1988). Dutton et al (1997) define upward influence as attempts by middle management to attain compliance and rewards from top management, and they have the potential to alter the firm's strategic course by providing top management with unique interpretations of emerging issues and by proposing new initiatives. As a result of middle management upward influence, strategy often unfolds or emerges differently than originally conceived (Floyd and Woodridge, 1997). Downward influence reflects the impact of middle managers on the alignment of organisational arrangements within the strategic context (Nutt, 1987). Through downward influence middle managers become change agents, fostering adaptability and implementing deliberate strategy, bringing organisational action in line with deliberate strategy (Nutt, 1987). This downward influence also promotes learning and increases the ability of organisational members to respond to change (Nonaka, 1988). This role shows the potential middle managers have to affect the organisations alignment with its external environment by injecting change oriented behaviour into the strategy making process.

In the classification proposed by Floyd and Wooldridge (1992) there are four types of middle management strategic involvement outlined; Championing alternatives and synthesizing information represent upward forms of involvement, while facilitating adaptability and implementing deliberate strategy are downward forms of influence.

Through analysis of the strategy development literature, and the subsidiary strategy literature there is evidence to suggest that the typology proposed by Floyd and Wooldridge (1992) is no longer adequate to accommodate all of the strategic roles which have emerged for middle managers in modern organisations. The contributions from the strategy development literature by Hart (1992) and Bailey et al (2000), and the subsidiary strategy literature (Birkinshaw, 1995) identify additional strategic roles for middle management, not identified by Floyd and Wooldridge's (1992). There is justification to seek evidence for a new preliminary model of middle manager strategic roles in multinational subsidiaries.

PRELIMINARY MODEL OF MIDDLE MANAGER'S ROLES IN SUBSIDIARY STRATEGY DEVELOPMENT

Development of the model

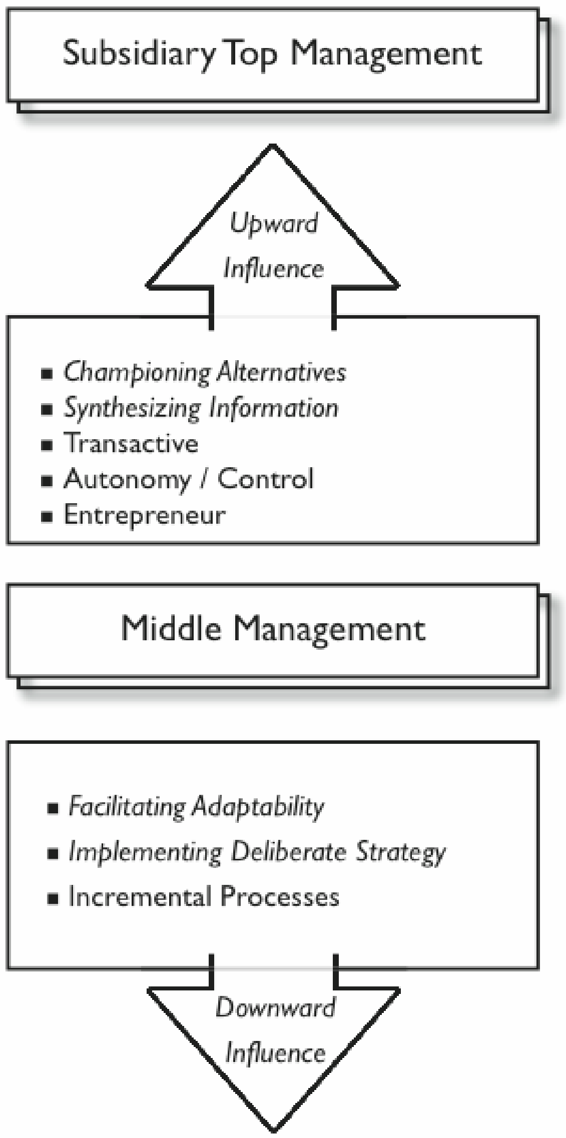
The model is based on Floyd and Wooldridge's (1992) concept of upward and downward influences of middle managers. The four strategic roles outlined by Floyd and Wooldridge are also included; Upstream influences; Championing Alternatives and Synthesizing Information; Downstream influences Facilitating Adaptability and Implementing Deliberate Strategy. From the strategy development literature elements emerged from Hart (1992) and Bailey (2000) which were integrated into the model. The Transactive mode proposed by Hart (1992, pp.338) was added to the upstream influences to establish the strategic importance of the relationship between top management and middle management. The mode outlined by Hart (1992) identifies feedback and learning between top management and middle management as an important strategic function.

From the research on multinational subsidiaries elements emerged which have been integrated into the upstream influences in the model. The entrepreneurial role for middle managers outlined by Birkinshaw (1995), which built on the generative mode of strategy making proposed by Hart (1992), has been included. The impact of autonomy and control in the multinational subsidiary has been integrated into the upstream influences of the model. Burgelman (1983a) identified autonomous behaviour below top management as an important contributor to firm performance. In multinational subsidiaries this autonomous behaviour is reliant upon the autonomy and control relationship subsidiaries have with their parent company (Takeuchi et al, 2008). The strategic contribution of middle managers is directly relative to the level of autonomy and control within the subsidiary.

In the downstream influences, the Incremental Processes as outlined by Bailey et al, (2000) were included. The incremental processes refer to the constant scanning and evaluation of strategic choices, which take place at the middle management level of the organisation. There are similarities between incremental processes and "facilitating adaptability" as outlined by Floyd and Wooldridge (1992). The incremental dimension proposed by Bailey et al (2000) was included because it identified the importance of manager's ability to evaluate uncertain business environments, which Floyd and Wooldridge's (1992) model did not incorporate.

The exploratory nature of this study will allow the researcher to look for evidence to support this model.

Preliminary Model of Middle Manager Roles in Subsidiary Strategy Development



Adapted from Floyd and Wooldridge 1992, (Original Model in Italics)

Methodology

This study adopts an exploratory case study design, in which 12 cases of individual middle managers are embedded in four subsidiaries of one focal organisation (Yin, 2003). This approach reflects the objective of the study which is two fold; to analyse the concept of "subsidiary strategy development" (Birkinshaw, 1997); and to evaluate the strategic roles of middle managers in these organisations. The research needed to be one in which the phenomenon was easily observable (Eisenhardt, 1989). The role of strategy development is very much to the fore in high velocity environments, which are defined as "those environments where there is rapid and discontinuous change in demand, competitors, technology or regulation, so that information is often inaccurate, unavailable, or obsolete" (Eisenhardt and Bourgeois, 1988; pp. 738). While it can be argued that all business environments are increasingly volatile, it was decided to select the Irish operation of an MNC in the healthcare industry.

The chosen setting is a world leading health care MNC with its headquarters in the United States and operations in more than 130 countries. The company is a broad based health care company and has sales manufacturing, research and development and distribution facilities around the world. The company's Irish operation was selected for this study as it consists of 4 different subsidiaries, each with their history of existence in Ireland and with very specific mandates in either, pharmaceuticals, nutrition, diagnostics or medical products. These subsidiaries provided a context in which a variety of types, levels, and methods of strategy development could be observed.

Data Collection Method

Semi structured interviews were chosen as the most appropriate collection tool to assess the opinions of middle managers on this process. The interview questions focused on how managers interacted with different levels of the organisation in the strategy development process. Similar studies such as Birkinshaw (1997) which looked at the phenomenon of strategy development at the subsidiary level had also used this method of semi structured interviews. For the middle manager perspective there was an emphasis on identifying middle managers with a clear understanding of the company's strategies. In a similar study of this phenomenon Floyd and Wooldridge (1997) employed an operational definition of middle managers, which was provided by Pugh et al (1968); "Middle managers are organisation members who link the activities of vertically related groups and who are responsible for at least sub-functional work flow, but not the work flow of the whole organisation". It is proposed that this definition of middle managers will also be employed in this research.

Findings and Representative Comments

The findings are separated into two sections. Firstly the evidence for subsidiary strategy development is discussed, followed by the research findings for the justification of the new preliminary model of middle manager strategic roles.

Subsidiary Strategy Development

To analyse subsidiary strategy development processes the research set out to examine which of the two perspectives of subsidiary strategy development set out by Birkinshaw (1997), best described the strategy development processes in each of the subsidiaries. The first perspective focuses on subsidiaries that are given a mandated strategic role by their parent company. The second perspective is based on subsidiaries with the competencies to develop strategy at the subsidiary management level. Birkinshaw (1997) suggested that the subsidiary mandated role perspective favoured corporate headquarters control, while the subsidiary strategy development perspective favoured higher levels of subsidiary autonomy. The primary research collected in this study tended to support the first of the perspectives identified by Birkinshaw (1997). In all of the subsidiaries, strategic goals and objectives are set by the parent company and although subsidiary management have certain autonomy within their mandate, the overall theme from the interviewees was that strategy is developed at corporate headquarters and passed down to the subsidiaries. One of the interviewees from Site D commented that “we have very little visibility of the strategy which is developed at the corporate level; our main strategic input is to take the strategy given to us by corporate headquarters and break it down into achievable goals for the subsidiary”.

Subsidiary Strategy Development Processes

As demonstrated by the representative comments in Table.1 there are different approaches to strategy development in each of the subsidiaries. As suggested by Hart and Banbury (1994) most strategy models do not capture the complexity and variety of the phenomenon. The evidence from the research is that there is a mixture between formal strategic planning and non formalised approaches in the subsidiaries. Formal strategic planning takes place predominantly at corporate headquarters and is passed down through the organisation. At subsidiary level there is a mixture of formal strategic planning and more informal strategy processes similar to those outlined by Mintzberg (1990).

In all four of the subsidiaries formal strategic planning for their unit takes place annually at the corporate headquarters. At the subsidiary level there are more informal strategy processes which are predominantly designed to push the strategy down through the organisation. For example, a number of the interviewees identified the process of “breaking down the strategy from corporate headquarters into achievable goals for the subsidiary business units” as their main involvement in strategy development process. The evidence would suggest that the strategy development processes are not designed to capture the contribution of the entire organisation. The view was more prominent that breaking down the strategic plan into day to day work processes, was the main strategic input within the subsidiaries.

Although similarities emerged in the strategy development processes of the subsidiaries, there was a real lack of uniformity in the processes of the subsidiaries of the same MNC. This confirmed Bailey et al’s (2000) proposition, that although the importance of strategy development is widely accepted the competitive realities of the modern business environment has resulted in a variety of strategy development process employed by organisations.

Table.1 Strategy Development Processes, Representative Comments

Site A	
MM1	"Long range strategic planning takes place at corporate headquarters"
MM2	"Strategic plan is a combination of what the organisation wants to do, and what it can afford"
MM3	"Formal strategy development takes place at corporate, our strategy development is more informal"
Site B	
MM1	"Company Strategic Planning takes place every two years"
MM2	"Subsidiaries piggy back on the strategy of the parent company"
MM3	"There are attempts to develop strategy within the subsidiary by acquiring new competencies"
Site C	
MM1	"Main strategy development processes take place at corporate headquarters"
MM2	"Strategy cascades down through the organisation"
MM3	"The main strategic input of the subsidiary management is to break down corporate level strategy into achievable goals for the subsidiary business units"
Site D	
MM1	"Subsidiary mandate is set by parent company"
MM2	"Within the subsidiary management meetings take place twice a year; these meetings are mainly concerned with breaking down the strategy of the parent company"
MM3	"We have very little visibility on future strategic direction, our main strategic input is to break down the corporate level strategy into achievable"

The Strategic Roles of Middle Managers

Upward Influences

Championing Alternatives

From the primary research collected there is evidence of this process taking place within the subsidiaries. In Site A one of the interviewees contended that it was expected within the organisation, that middle management must "be innovative and identify possible opportunities for the subsidiary". He also said that "the competitive nature of their business meant that these contributions from middle management were vital for the subsidiary to stay competitive". A similar opinion was expressed by the interviewee from Site B who also suggested "that identifying strategic options was an important role of the middle manager". The interviewee from Site C also proposed that "middle managers always had the opportunity to bring their ideas to higher management, and the process was encouraged but he could not cite any examples of this process taking place". Although the process of championing alternatives was evident within the subsidiaries all of the interviewees emphasised that their overall strategic goals were always set out by corporate headquarters. Middle management would only suggest an alternative if it was going to aid the subsidiary in fulfilling its overall strategic goals. As one interviewee in Site D put it "our strategic goals are always based on cost effectiveness and quality. Our strategic inputs are limited to finding new ways to reduce costs or to improve quality; if our costs rise or the quality of our products disimproves the subsidiary will not survive".

Synthesizing Information

There was evidence of this strategic role in all of the subsidiaries. Each interviewee confirmed that top management relied on them for information on the internal processes and external processes of which they had particular knowledge. For example, in Site B one middle manager explained that "due to the rapid change of technology and business processes in their business sector the staff who worked closely with the technology every day were the only people who had sufficient knowledge of the technology. Top management were totally reliant on the information they received from the middle manager level". The interviewees contended that the knowledge which staff held, in a highly technical business sector such as healthcare development, is vital to organisations, and therefore how staff presents it to top management can shape the strategy process.

Transactive

Positive evidence of the transitive mode was evident in all of the subsidiaries. The interviewees identified the relationship between top management and middle management as having an influence on strategy development. One of the middle managers from Site A commented that "as the personal relationship between top management and middle managers developed over time, so to did the input of middle management to strategy development". Interviewees also noted that subsidiary top management placed a lot of importance on building a culture of personal interaction between management levels.

Autonomy / Control

For middle managers to contribute to strategy it is accepted that there is a certain level of autonomy required to allow this process to take place (Burgelman, 1983a). Evidence from the primary research confirms this proposition. The middle managers identified a certain level of autonomy in their day to day activities but, a number of interviewees contended that overall they were constrained by low levels of autonomy within the subsidiary. An interviewee in Site D compared the subsidiary to a previous place of employment and commented that "I worked in a company which gave high levels of autonomy to management levels within the company, but it is difficult to see that situation arising here to the same degree as corporate headquarters will always favour a control relationship over the subsidiary rather than allowing higher levels of autonomy to management levels within the subsidiary."

Middle Manager Entrepreneur

There was limited evidence of this role for middle managers in the research carried out. The interviewees did not see themselves as entrepreneurs. One of the interviewees in Site B thought that "over time this role may emerge but it was difficult to see it developing at the moment". Interestingly the theme from the interviewees was that they did not identify entrepreneurial skills as a key competence for a middle manager.

Downward Influences

Facilitating Adaptability

The evidence collected in the research suggested that middle managers believed that facilitating learning was a strategic role for middle managers. In the healthcare sector knowledge is a prime asset and as technology and products change so rapidly facilitating learning is a vital function within all of the companies. An interviewee in Site B proposed that "technology is changing and new products are being developed so rapidly that if staff are not working with the new technologies for even a short period of time their knowledge becomes redundant. This was a common theme in all of the interviews."

The evidence for promoting a culture change as outlined by Floyd and Wooldridge (1992) was most evident in Site A, the most established of the subsidiaries. The theme which emerged from the research in this site was that the middle management level had been with the company for a long time, and as the company had developed, they had played a major role in developing the culture of change which had ensured the subsidiaries survival up to this point. A number of the interviewees in the other subsidiaries identified promoting culture as predominantly a top management role. For example the interviewee in Site D believed there was a culture of change in the organisation but he credited the actions of top management in developing this culture. One possible reason for the lack of evidence of middle manager downward influence on culture is the flatter organisational structures which exist in modern organisations. This theme emerged in a number of the interviews where the interviewees described the flat organisational structure which existed in their subsidiaries. The flat structure resulted in limited downward influence as there were a limited number of organisational levels below middle management. The importance of organisational structure on the strategic input of middle management was an unexpected finding in the primary research.

Implementing Deliberate Strategy

In all four subsidiaries the interviewees identified their role in implementing strategy as one of their most important strategic roles. For example in Site C one interviewee stated that "in their day to day work middle managers influence strategy by passing it down through the organisation". An interviewee from Site C described the most important strategic role of middle managers, as the process of breaking down strategy from top level strategy into day to day work. In Site D one interviewee stated that the main strategic input of middle managers was "to map out the day to day work within the subsidiary". The evidence collected from the primary research confirmed the importance of this strategic role as proposed by Floyd and Wooldridge (1992) and is the most identifiable downward strategic influence of middle managers in subsidiaries.

Incremental Processes

There is evidence of this incremental dimension in the results of the primary research. As proposed by Bailey et al (2000) the uncertainty of the environment means managers at all levels must be constantly evaluating changes and opportunities in the environment. In all of the interviews there was evidence to show that the middle managers believed that building their competencies and being vigilant to the changes in technology was an important function of their role. For example, one of the interviewees in Site D believed that he had very little strategic influence on top management but he proposed that building his own competencies and those of the staff around him was one of the important factors driving strategy in the organisation. Similarly, one interviewee in Site B contended that "strategy could emerge from the skills and knowledge which were developed at the lower levels of the company". What also came across from the research was that due to the levels of pressure from corporate headquarters to produce results, that it raised the need for the flexibility in the subsidiaries to develop strategy incrementally. One of the interviewees in Site C stated "our targets can be reviewed at any point, higher level management are constantly looking for us to improve production and reduce costs so we have to be flexible enough to manage those expectations and produce results".

Discussion

Subsidiary Strategy Development

Subsidiary strategy development is a relatively new concept (Birkinshaw, 1997), so to research this phenomenon it was necessary to clearly identify the factors which drive subsidiary strategy development in subsidiaries. It is widely accepted that when multinational subsidiaries are established they begin their existence subordinate to the parent organisation and subsidiary strategy development takes place predominantly at corporate headquarters. Over time the subsidiary begins to grow in size and develop its own set of unique capabilities and resources, this process is described as subsidiary evolution (Birkinshaw and Hood, 1998). It is implicit in the literature that for subsidiaries to move away from the strategy dependent relationship with headquarters, they must undergo this process of evolution. What is not understood is whether the strategic actions of subsidiary management can enhance the evolutionary process (Birkinshaw and Hood, 1998).

The process of subsidiary evolution was identified in the research, but what also emerged was that subsidiaries do not necessarily evolve to the point where they have autonomy over strategy development. The four subsidiaries of the MNC had been established for varying lengths of time. The first subsidiary located in Ireland was in operation for over 30 years. The last of the subsidiaries located in Ireland was in operation for only three years. This gave an excellent opportunity in the research to analyse the effects of subsidiary evolution over varying lengths of time. Two factors which contributed to the evolutionary process emerged from the research. Firstly, the successful operation of the subsidiary had a bearing on the evolutionary process. The subsidiaries that produced the best results for their parent organisation had been given the leeway to broaden their operations. The second factor, which emerged in the subsidiaries which embodied the greatest levels of evolution, was the performance of management. In all of the subsidiaries management have been very proactive in driving the subsidiary's business beyond the original mandate set by corporate headquarters. But, what also emerged from the research was that although some of the subsidiaries had evolved considerably from their original mandate, none of the subsidiaries had evolved to the point where they had autonomy at subsidiary level to develop future strategy for the subsidiary. It is proposed from the results of the research that there are limits to the concept of subsidiary evolution as outlined by Birkinshaw and Hood (1998). Where headquarters favour control over autonomy in their relationship with their subsidiaries, subsidiary management will always find it very difficult to gain autonomy over strategy development no matter how much they drive subsidiary evolution.

Within the body of literature on subsidiary strategy development, there are two different perspectives which emerge (Birkinshaw 1997); the subsidiary mandated role perspective and the subsidiary strategy development perspective. The research sought to examine which of these perspectives the companies identified with, and the reasons behind it. What emerged form the research was that there was limited evidence of “strategic choice” (Child, 1972) on the part of the management in all four subsidiaries. The evidence that emerged suggested that the subsidiaries fitted into the subsidiary mandated role perspective. More specifically the subsidiaries fitted the description of the specialised contributor, identified in Birkinshaw and Morrison’s (1995) three item typology of subsidiary roles. This role of “specialised contributor” seemed to hold the reason why subsidiary management could not exert an element of strategic choice in strategy development. As per Birkinshaw and Morrison’s (1995) definition the four subsidiaries have particular expertise in specific business areas and their activities are tightly controlled and coordinated by corporate headquarters. Some of the interviewees believed that fulfilling a specific role for the parent company left them very vulnerable and it was not a strategy which would ensure the long term survival of the subsidiary. They contended that for long term survival it was necessary for the subsidiary management to use strategic foresight and extend the strategy beyond that of the “specialised contributor”. There was evidence of this already taking place in Site C where the interviewees described the attempts of top management to attract higher level work such as R&D projects from corporate headquarters.

The structure of the relationship between headquarters and subsidiaries is one of the most critical areas in the management of the modern MNC. The control and autonomy relationship is at the centre of the debate on subsidiary strategy development. There is growing evidence in the literature that subsidiaries can have a positive impact on this relationship, and by doing so increase their ability to develop their own strategy. The evidence for this proposition was slightly unclear in the research. Not all of the subsidiaries felt that they could influence the control autonomy relationship. The levels of subsidiary power as proposed by Birkinshaw and Bouquet (2008) emerged as an important feature in the research. Subsidiaries that had a significant level of power within the interorganisational network of the MNC, showed the potential to positively influence the control autonomy relationship. Subsidiaries that possessed relatively low levels of power showed an inability to affect the relationship with corporate headquarters, and as a result their contribution to strategy development was low.

Subsidiary power was established as an important factor in the autonomy control relationship, but one of the respondents put forward the proposition that despite low levels of power, a subsidiary could have a positive influence on the parent company control relationship if they were producing successful results. His contention was that the higher the performance levels produced by the subsidiary unit, the greater the levels of autonomy enjoyed by the subsidiary and conversely, if the performance levels dropped, the levels of headquarters control would increase, and subsidiary input into strategy development would decrease. The identification of a subsidiary with low levels of power in the MNC using their operational success to have a positive impact on their autonomy / control relationship with headquarters, and improving their input into strategy development, was one of the more illuminating findings in the research.

In summary, there was limited evidence of subsidiary strategy development as proposed by Birkinshaw (1997). What emerged from the research was a greater emphasis on subsidiary management fulfilling the mandated role set out by corporate headquarters. The main strategic input from management levels within the subsidiary is in using their own competence to bring the best out of the subsidiary while fulfilling their mandated strategic role.

Justification for the Preliminary Model

The role of the middle manager in strategy development is a relatively under researched area and the findings sought to determine middle manager perceptions of their role in the strategy development process. Although a key strategic task of middle managers is implementing strategy, little research has examined the particular roles they take in this process and how their contribution is captured in formal and informal methods of strategy development (Balogun, 2003). This is the impetus for the proposition of the new preliminary model.

The first element of the model which emerged from the research was the distinction between middle manager upstream and downstream strategic influences, as outlined by Floyd and Wooldridge (1992) in their original model. There was very strong evidence of the downstream influences. All of the interviewees saw a major strategic role in their day to day activities. Implementing deliberate strategy and facilitating adaptability were strategic roles which all of the interviewees identified. There was also evidence of the incremental planning outlined by Bailey et al (2000), and integrated into the model. Overall middle managers in the subsidiaries strongly identified strategic roles in the downward influences.

The evidence for the upward influences was far more complex. One of the upward influences which the interviewees did identify was the "Transactive" relationship with higher level management which played an important strategic role. There was also limited evidence for the role of "championing alternatives" but overall the contributions showed a lack of evidence for the upward strategic influences of middle management. One of the most striking examples was the complete lack of evidence for the entrepreneurial role of middle managers in the subsidiaries researched.

There are two possible reasons proposed for the lack of upward strategic influence of middle managers in the four subsidiaries of the MNC. The first explanation is related to the strategy perspectives proposed by Birkinshaw (1997).The research outlines that the subsidiaries identified closely with the subsidiary mandated role perspective of strategy development, particularly that of the specialised contributor proposed by Birkinshaw and Morrison (1995). The evidence suggests that subsidiary top management viewed the contribution of middle management in an implementation role, rather that as contributors to subsidiary strategy development. It is proposed that as a result of subsidiary top management's limited input to the overall strategic direction of the subsidiary, the upward strategic influences of the subsidiary middle management were restricted.

The second factor which became apparent in the research was the effect of the market in which the subsidiary operates. Bartlett and Ghoshal (1989) described how modern subsidiaries must compete within two business environments; the internal environment consisting of other subsidiaries in the MNC and the external environment consisting of customers, suppliers and competitors. It emerged in the research that the different business environments had an effect on the strategic input of middle managers. The subsidiaries researched competed predominantly in the internal business environment of the MNC. The internal market was extremely competitive as subsidiaries competed with each other to improve their position within the MNC. The lack of contact with the external market of customers may explain the low levels of upward influence for middle managers. Market variations and customer preferences were analysed at other locations in the Multinational. For the subsidiary management in this case study their focus is constantly on the strategic goals of cost reduction and efficiency to stay competitive in the internal market of the MNC. The downward influences of middle management may be better suited to achieving these goals. In a company where the strategic goals are innovation and strategic change based on the external market there may be a greater emphasis on the upward influences of middle management.

From the research collected in the case study there is tentative evidence for the justification of the new preliminary model of strategic roles of middle managers. There is strong evidence for the downward strategic influences proposed in the model, but there is less evidence of the existence of the upward strategic influences of middle managers.

Limitations of the Study

Like all studies, the one presented here suffers from several important limitations that must be kept in mind when interpreting the results. The study was confined to specific elements in subsidiary strategy development but strategy development in subsidiaries is a much broader construct. In addition, much of the limited research on middle managers is based on studies carried out on the operational roles of middle managers. There was a lack of empirical research on middle managers in modern organisations (Hornsby et al, 2002). This made constructing a definition of middle managers difficult, which in turn made it difficult to identify respondents at the same level of middle management.

This particular study used a small number of organisations in a limited geographical area. Hence, there would be a need to conduct extensive research across different industries and geographical regions before any generalisations can be drawn. Additionally the research used only a qualitative approach to collect data; a study employing both qualitative and quantitative approaches would provide a more in depth analysis on this particular topic.

Other Areas for Future Research

The findings from this study represent an exciting and valuable contribution to our knowledge of an under researched area i.e. the strategic roles of middle managers in the strategy development process of multinational subsidiaries. One of the major contributions of an exploratory study of this kind is to highlight opportunities for further research. In particular, the proposed model outlined in the study would benefit from longitudinal analysis. To seek further justification of the validity of this model a more thorough research process should be undertaken.

Concluding Comments

This research was an attempt to understand middle manager involvement in strategy development of multinational subsidiaries. While subsidiary strategy development is a relatively new concept, it is extremely relevant for most nations where multinational subsidiaries have become a vital element of the economy. The future strategies which these subsidiaries undertake will have a major bearing on the economic landscape. Of the middle managers interviewed varying degrees of strategic influence were evident in their responses. Interestingly where the respondents suggested their subsidiary was vulnerable to relocation by the parent company, low levels of strategic input by middle managers were identified. This factor may indicate a worrying trend for subsidiaries as they become increasingly vulnerable to economic pressures and competing low cost economies. As organisations become increasingly aware that middle managers play a pivotal role in developing new ideas, reshaping firm capabilities and affecting strategic renewal (Pappas and Wooldridge, 2007), it could be argued that to ensure their long term survival, subsidiaries should be looking to develop and nurture the strategic potential of the middle managers in their own organisations.

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